

PUBLIC DISCLOSURE

DECEMBER 10, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BRIDGEWATER CO-OPERATIVE BANK

72 MAIN STREET
BRIDGEWATER, MASSACHUSETTS 02324

DIVISION OF BANKS
100 CAMBRIDGE STREET
BOSTON, MA 02202

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
--

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **BRIDGEWATER CO-OPERATIVE BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"

The rating of the institution is firmly established upon five performance criteria illustrated throughout the report of examination. The five performance categories are Loan-To-Deposit Ratio, Lending in Assessment Area, Lending to Borrowers of Different Incomes, Geographic Distribution of Loans, and Response To Complaints and Fair Lending are the cornerstone of the institution's collective rating, indicated above as Satisfactory.

The bank's average loan to deposit ratio of 82 percent is strong, considering the institution's size, financial condition, and the credit needs of the assessment area. Also, given the institution's small size, the volume of residential loans generated was substantial. In evaluating the bank's lending performance, it was revealed that a majority of the number and dollar volume of loans were originated within the bank's assessment area. Additionally, the bank has exceeded the standards set for the distribution of credit among borrowers of different income levels as it originated 20 percent of its loans by number and 14 percent by dollar volume to low and moderate-income individuals. Also, the geographic distribution of loans was found to reflect the assessment area. No complaints were filed relating to CRA performance since the previous examination. The bank's fair lending policy satisfactorily provides the guidance needed for an institution of this size. Finally, community development services also contributed to the bank's overall performance rating

PERFORMANCE CONTEXT

Description of Institution

Bridgewater Co-operative Bank is a \$9 million state chartered, mutual bank headquartered in Bridgewater, Massachusetts. The bank's only office is located at 72 Main Street, Bridgewater. As of September 30, 1997, 80.5 percent of the bank's assets were in the form of loans. The bank's lending focuses on first and second mortgage loans secured by one-to-four family properties which is the largest portion of the portfolio at 83.8 percent. The remainder of the loan portfolio consists of consumer loans with 7.3 percent, construction loans with 5.5 percent, commercial real estate loans with 2.0 percent, residential loans with 5 or more families 1.3 percent, and commercial / industrial loans with 0.1 percent of the portfolio. Refer to the following table for additional information below.

LOAN TYPE	AMOUNT 000's	PERCENT
Residential Real Estate (first and junior lien on 1-to-4 Family)	6,162	83.8
Consumer	535	7.3
Construction	405	5.5
Commercial Real Estate	146	2.0
Residential (5 or more family)	94	1.3
Commercial / Industrial	13	0.1
GROSS LOANS	7,355	100

Listed below are loans offered by the bank.

1. Auto - New and Used
2. Personal Unsecured
3. Passbook secured
4. Share Certificate
5. Student
6. Mobile Home
7. Residential First and Second Mortgage
8. Construction
9. Commercial Real Estate
10. Commercial / Industrial

Bridgewater Co-operative Bank has direct competition within the immediate area from Bridgewater Savings Bank, Bridgewater Credit Union, Rockland Trust, Brockton Credit Union, and Plymouth Savings Bank, as well as a number of local, regional, and national mortgage companies lending within the Town of Bridgewater. Other than the bank's small size, limited staff and direct competition, there appears to be no significant financial or legal impediments which limit the bank's ability to help meet the credit needs of its assessment area. The bank was last examined for compliance with the Community Reinvestment Act by the Federal Deposit Insurance Corporation (FDIC). The bank received a "Satisfactory" CRA rating by the FDIC on November 4, 1996.

Description of Assessment Area

Bridgewater Co-operative Bank's assessment area is the Town of Bridgewater. The assessment area was based upon the location of the bank's main office in addition to its loan portfolio. This delineation places the bank's assessment area within the Brockton Metropolitan Statistical Area (MSA). The Town of Bridgewater is located within the county of Plymouth.

The Town of Bridgewater is largely considered a middle-class town with a population and housing stock which reflects the community. The following table shows the demographics of the assessment area.

TOWN	FAMILY MED. INCOME	MEDIAN HOME VALUE	% OWNER-OCCUPIED UNITS
Bridgewater	\$50,080	\$163,500	68.6

Based upon 1990 U.S. Census data.

Assessment Area Demographics

The bank's assessment area encompasses four census tracts within the Town of Bridgewater. The census tracts are 5251.01, 5251.02, 5252, and 5253. The one moderate-income tract in the bank's assessment area, tract 5253, is comprised substantially of the facilities of MCI Bridgewater, a state correctional institution. The following table details the income characteristic of each census tract within the assessment area. The assessment area contains no low-income census tracts.

CENSUS TRACTS AND INCOME IN ASSESSMENT AREA

TOWN	MODERATE	MIDDLE	UPPER	TOTAL
Bridgewater	1	2	1	4
TOTAL	1	2	1	4
PERCENTAGE	25	50	25	100

Data provided by the 1990 U.S. Census.

The Town of Bridgewater itself, according to the 1990 census data has a total population of 21,249. The bank's assessment area is largely made up of owner-occupied 1-4 family units. The following table refers to housing information within the assessment area.

TOTAL HOUSING UNITS	TOWN OF BRIDGEWATER
TOTAL HOUSING UNITS	6,230
TOTAL OCCUPIED UNITS	5,947

TOTAL OWNER-OCCUPIED UNITS	4,077
TOTAL RENTAL OCCUPIED UNITS	1,870
TOTAL 1-4 FAMILY UNITS	4,957
TOTAL MULTI-FAMILY	1,160
TOTAL MOBILE HOME UNITS	61

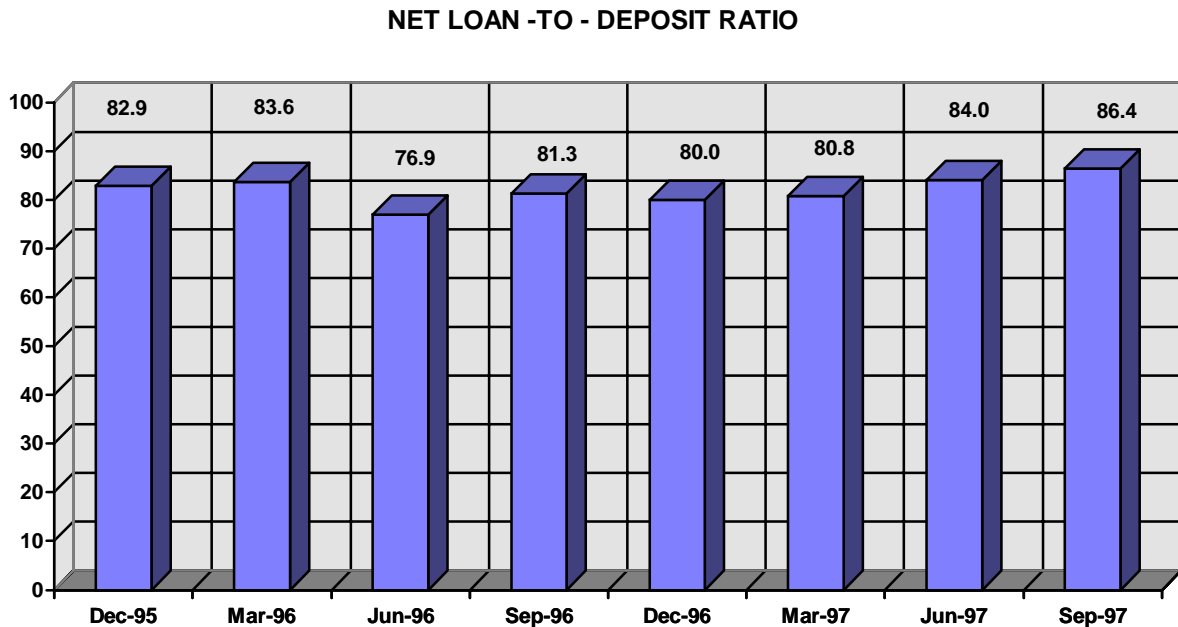
Source: CRA WIZ

State Government is Bridgewater's largest employer with Bridgewater State College and the MCI Bridgewater Correctional facility located within town limits. As of November 1, 1997, the Town of Bridgewater had a labor force of 11,916, of that 478 individuals or 4 percent were unemployed. The Town of Bridgewater's unemployment rate is considered in line with the Plymouth County unemployment rate of 4.3 percent during the same time period. Labor information was provided by the Massachusetts Division of Employment and Training Division.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

The bank's average net loan-to-deposit ratio for the period December 31, 1995 through September 30, 1997 was 82.0 percent. The ratio was calculated using the last eight FDIC Call Reports. The ratio has increased from 82.9 percent in December 31, 1995 to 86.4 percent as of September 30, 1997. The graph below depicts the bank's overall net loan-to-deposit ratios for the past eight quarters.



Loan growth, at 6.8% during the review period, has outpaced deposit growth which was 2.8% during the same time frame. The loan to deposit ratio is very strong given the institution's size, credit needs of the assessment area, and prevalent economic conditions. Considering the above information, the bank's net loan-to-deposit ratio exceeds the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of Bridgewater Co-operative Bank's internal loan records for 1996 and Year-To-Date December 10, 1997, was conducted during the examination. This information indicated the bank originated a majority of its residential loans by number and dollar volume within the designated assessment area. Further, for the examined time period a total of 84 loans were originated, 50 loans or 59.5 percent, were originated from within the assessment area. Originated dollar volume totaled \$9,483,000 for the examined time period, of which 60 percent or \$5,687,000 was originated within the bank's assessment area. Refer to the charts below for additional information.

LOANS BY NUMBER OF ORIGINATIONS

	1996		YTD-1997		TOTALS	
LOCATION	#	%	#	%	#	%
Bridgewater	31	60.8	19	57.6	50	59.5
OUTSIDE ASSESSMENT AREA	20	39.2	14	42.4	34	40.5
TOTALS	51	100	33	100	84	100

Source: 1996 and December 10, 1997 Bank Generated Loan Register.

LOANS BY DOLLAR VOLUME OF ORIGINATIONS

	1996		YTD-1997		TOTAL	
CITY/TOWN	\$000's	%	\$000's	%	\$000's	%
Bridgewater	3,622	62.9	2,065	55.5	5,687	60.0
Total Outside	2,137	37.1	1,659	44.5	3,796	40.0
Total	5,759	100	3,724	100	9,483	100

Source: 1996 and December 10, 1997 Bank Generated Loan Register.

As a majority of the loans under review were originated in the bank's assessment area, the bank meets the standards for satisfactory performance for this criterion. However, it should be noted that the volume of originations is considered significant for an institution of this size and resources.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of residential mortgage loans extended within the various income levels was conducted during the examination. Originations were categorized by the ratio of the applicant's reported income to the median family income of the Brockton Metropolitan Statistical Area (MSA), which were \$50,800 and \$53,900 based on estimated 1996 and 1997 HUD information.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

The distribution of credit to borrowers of various income levels reflects a sound penetration among individuals of different income levels, including those of low and moderate income. Loans to low and moderate-income borrowers represented 20 percent of the bank's residential loan originations for the examined time period, indicating that the bank is willing to extend credit to borrowers of all income levels. Thirty-four percent of the loans were granted to middle-income borrowers, while 46 percent were granted to upper-

income borrowers. Refer to the following table for information on loan originations by income of borrower.

LOAN ORIGINATIONS BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	1996		1997		TOTAL	
	#	%	#	%	#	%
<50%	0	0.0	1	5.3	1	2.0
50% - 79%	6	19.4	3	15.8	9	18.0
80% - 119%	10	32.3	7	36.8	17	34.0
120% >	15	48.3	8	42.1	23	46.0
TOTAL	31	100	19	100	50	100

Source: Bank Generated Loan Application Register.

Below is a comparison of the bank's 1996 lending to individuals of different incomes, to aggregate performance within the assessment area. As shown, the bank compares favorably to all other lenders, and even exceeds the aggregate in lending to moderate income borrowers. It should be noted that since the number of bank loan originations is relatively small, differences of one or two originations can significantly influence percentages. Nevertheless, given the institution's small size and limited resources, this level of penetration is considered a notable achievement.

1996 AGGREGATE PERFORMANCE VS. BANK (Percentage Only)

% OF MEDIAN MSA INCOME	1996	
	Bank	Aggregate
<50%	0.0	2.6
50% - 79%	19.4	16.0
80% - 119%	32.3	30.6
120% >	48.3	48.3
N/A	-	2.5
TOTAL	100.0	100.0

The following table illustrates loans originated to borrowers of various income by dollar volume. Low and moderate-income borrowers were extended 14 percent of the total loan dollar volume originated during the examined period.

Loans by dollar volume originated to borrowers of middle- and upper-income were 30.9 percent and 55.1 percent, respectively. Refer below for a further breakdown of the data by dollar amount.

DOLLAR AMOUNT OF RESIDENTIAL LOANS BY BORROWER INCOME

% OF MEDIAN MSA INCOME	1996		YTD 1997		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	0	0.0	25	1.2	25	0.5
50% - 79%	488	13.5	279	13.5	767	13.5
80% - 119%	1,063	29.3	696	33.7	1,759	30.9
120% >	2,071	57.2	1,065	51.6	3,136	55.1
TOTAL	3,622	100	2,065	100	5,687	100

Source: Bank Generated Loan Application Register.

Of note, the bank has written loans in excess of \$400,000 for mobile homes in trailer parks serving elderly individuals both in, and surrounding the assessment area. The bank is one of few which engages in such lending which is a specific need of lower income individuals.

Based on the bank's loan data and the demographic profile of the assessment area the distribution of credit among different income levels exceeds the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of residential loan originations extended within the census tracts contained in the bank's assessment area was conducted during the examination. The bank's assessment area is comprised of four census tracts, of which two are designated as middle-income, one upper-income, and one moderate-income. The moderate-income census tract is occupied by the MCI Bridgewater prison facility, and thus has limited housing stock. The assessment area contains no low-income census tracts. Refer to the following table for additional information.

ORIGINATIONS BY CENSUS TRACT BY NUMBER

CENSUS TRACT	1996	1997	TOTAL
-------------------------	-------------	-------------	--------------

	#	%	#	%	#	%
MIDDLE	22	71.0	12	63.2	34	68.0
UPPER	9	29.0	7	36.8	16	32.0
TOTAL	31	100	19	100	50	100

Source: Bank Generated Loan Register.

ORIGINATIONS BY CENSUS TRACT BY DOLLAR VOLUME

CENSUS TRACT	1996		1997		TOTAL	
	\$	%	\$	%	\$	%
MIDDLE	2,404	66.4	1,221	59.1	3,625	63.7
UPPER	1,218	33.6	844	40.9	2,062	36.3
TOTAL	3,622	100	2,065	100	5,687	100

Source: HMDA/LAR Data 1996 and 1997

The majority of the loans were originated by number and dollar volume within middle-income census tracts. The bank's lending results for the examined period is considered to meet the standards for satisfactory performance in this category.

5. RESPONSE TO COMPLAINTS AND FAIR LENDING

REVIEW OF COMPLAINTS

Bridgewater Co-operative Bank has not received any complaints related to its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

The bank's Fair Lending Policy is included as a subsection in the Lending Policy. The policy was approved by the board of directors on December 15, 1997 and is considered adequate in addressing the standards set forth in the Division of Bank's Administrative Bulletin 5-10.

STAFF TRAINING

Due to size constraints, Bridgewater Co-operative Bank does not have a formal in-house training program. However, bank management attends seminars on CRA and fair lending then disseminates the information to employees in an effort to heighten awareness of action that may be construed as discriminatory. In addition, the bank participates in seminars conducted by the Massachusetts Bankers Association, Community Bank League, and the American Banking Institute. The latest seminar attended was on November 3, 1997.

STAFF COMPOSITION AND COMPENSATION

As of the examination date, Bridgewater Co-operative Bank's staff consisted of five full time employees. Bank personnel responsible for loan originations are not compensated on a

commission basis. Therefore, they are not encouraged to originate large dollar loans at the expense of originating smaller loans that may be in a low and moderate-income area or to lower income individuals.

OUTREACH

Management and the Board are motivated towards addressing community credit needs. Ongoing relationships are maintained with a variety of community organizations in order to determine the credit needs of its assessment area. Management and the Board have met with a full range of individuals and groups representing community business, neighborhood, youth services, municipal, and charitable organizations. The various organizations the bank is involved with include, but are not limited to following: The Bridgewater Small Business Development Committee, The Bridgewater Partnership, Bridgewater Board of Health Loan Committee, Chairman of the Education Reform Advisory Committee (Nellie Mae Student Loan Lender).

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

Bank management reviews its loan products on a quarterly basis. The bank does not charge an application fee, interest rate lock fee, nor a loan commitment fee. In addition, the bank historically offers the lowest fixed interest rate mortgages On the South Shore. The bank is able to provide its customers with competitive interest rates mainly due to its low overhead.

MARKETING

The bank's marketing program includes advertising displays, publicity through local news papers, as well as direct mailings. Weekly interest rate guides are published in local newspapers, such as The Brockton Enterprise and The Patriot Ledger, and The Boston Globe. It does not appear that low and moderate-income, or minority segments are excluded from these efforts.

CREDIT EDUCATION

Bridgewater Co-operative Bank has not participated in or conducted any homeownership seminars to educate its assessment area about the homebuying process. However, management lends its expertise to potential borrowers throughout the loan application process.

COUNSELING

The bank attempts to meet personally with borrowers who experience financial difficulties. In the event of delinquency the borrower is provided with information on Consumer Credit Counselling Services.

SECOND REVIEW PRACTICES

Bank management implemented a second review practice to ensure each and every denied loan application is reviewed. Each loan recommended for denial by the loan officer will undergo a second examination of all supporting documents and data by the Security Committee.

INTERNAL CONTROL PROCEDURES

The CRA Officer continuously reviews the bank's assessment area's loan penetration and dollar volume of its loan originations. The CRA Officer reports the findings to the board of directors. This bank is not a HMDA reporting institution as it is well below the \$28 million threshold for HMDA reporters. However, bank management retains a log similar to the Loan Application Register of HMDA reportable institutions.

MINORITY APPLICATION FLOW

A review of the 1996 and Year-To-Date December 10, 1997 loan data was conducted to determine the number of applications received from minorities within the assessment area. During this examined time period, the bank received two applications from minorities. Minorities account for 8.5 percent of the population in the Town of Bridgewater.

Refer to the following table for a full breakdown of the racial composition of the bank's assessment area.

ASSESSMENT AREA POPULATION BY RACE

CITY/TOWN	TOTAL	WHITE	BLACK	ASIAN	NTV AM	HISP	OTHER
Bridgewater	21,249	19,441	864	174	40	684	46
PERCENT	100	91.5	4.1	0.8	0.2	3.2	0.2

Based on 1990 Census Data.

The bank's fair lending performance was found to be satisfactory at this time. This policy is considered appropriate in addressing the standards set forth in the Division of Banks Administrative Bulletin 5-10 and is considered to meet the standards for satisfactory performance in this category.

QUALIFIED SERVICES

In an effort to meet the development needs of the community, the bank lends technical expertise to area organizations.

Bridgewater Partnership - Officers assist in grant writing for the Small Business Development Committee.

Bridgewater Board of Health - The CEO is a member of the loan committee which offers low-rate loans to individuals who wish to correct or upgrade Title V problems.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

BRIDGEWATER CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **DECEMBER 10, 1997**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.